

On-Line Bill Payments

Communities statewide have been taking advantage of technology to streamline operations in the collector's office. Now, with the increase in city and town websites, one area worth exploring is on-line bill payments. In the same way that people can purchase products via the Internet, there are services available for municipalities to offer on-line payment options to their taxpayers via a website.

These third-party service providers give taxpayers the ability to pay by electronic check transfers or credit card payments 24 hours a day. The community typically sets up a link on its website called "online payment," or something similar, which redirects the taxpayer to the third-party website. The service provider can create its page to look like the municipal website or not. If the community does not have a website, then taxpayers can be directed to the service provider's website via advertisements or bill inserts. At that point, the taxpayer has the ability to pay for their tax, excise or fee (depending upon which on-line payments the municipality has available) using either an electronic checking transfer or a credit card. The e-check option is usually free, while the credit card fee is passed on to the taxpayer. The "customer" will receive an email confirming payment.

Ideally, once the system is in place, the collector sends the tax, excise, or utility commitment to its service provider, who would upload it into their system. Depending on the software in place in the collector's office, the outside vendor may or may not have compatibility issues. This is something that the collector should discuss with the vendor before an agreement is reached. Once the commitment is on the service provider's system, payments, either through electronic check or credit card, become possible. The service provider can then wire the money to the municipality, or deposit it directly into a deposit-only bank account in the municipality's name. The third-party service provider should also provide the municipality with an electronic and hardcopy register of payments received. If the municipality and the vendor have compatible software, the collector can download a record of payments received and post them immediately. If not, then payments would have to be manually posted.

Maureen Dwinnell, Treasurer/Collector in Hopkinton, uses software in her office that is incompatible with her on-line vendor. However, she has made the process of manually posting her on-line payments, and reconciling at the end of the month, easier by putting them in one batch. She knows that the online system still has customer service advantages even though her office has to manually post the receipts. "After all, until technology came along, we were using manual ledgers!"

There are a number of advantages to offering on-line payments:

- It sends a progressive message to taxpayers about customer service and the use of technology.

- It reduces foot and mail traffic to the collector's office (and reduces lock-box fees, if applicable)
- It can result in faster deposits and postings of payments.
- It can reduce delinquencies by offering greater payment convenience to the taxpayers. It reduces the number of over- and under-payments in a few ways. The collector does not receive a mailed check after the due date, and the on-line information is in real-time, therefore the taxpayer can determine the exact amount due, plus interest if applicable.
- It can reduce telephone inquiries.
- Mortgage companies tend to take advantage of this feature, reducing collector hours spent managing those accounts.

Jeri Deyo, Town Collector in Orange, reports that having on-line payments available is "handy for the last-minute person, or those who live out of the area for five or six months out of the year."

Some advantages to the taxpayer include:

- Credit card payments are possible, with a fee.
- Bill payment is possible 24 hours a day, seven days a week.
- Most electronic checking transfers are free transactions.
- Immediate confirmation of payment is sent via email.

Some city or town halls, like Brookline, have a town-owned computer near the collector's office to allow a taxpayer to pay with a credit card from inside town hall. Having the computer there introduces taxpayers to the online service and helps reduce wait-time during heavy collection periods at the collector's window.

Various cities and towns have tried to run credit card programs of their own with little success. Because credit card companies impose a fee on transactions, there is an unknown cost to the municipality, which creates uncertainty while setting the annual budget. At least one town that appropriated for the fee soon discovered that the total cost was too expensive. A municipality considering accepting credit cards without the "buffer" of a third-party provider would be wise to consider the potential public relations fall-out of passing the fee onto the taxpayer and the difficulty in managing the fee structure.

In general, collectors have had good luck with on-line payment companies. Additional vendors specialize in software designed for more complicated collections, such as recreation, school lunch and parking tickets. No matter what company is engaged or method is chosen, the collector should be certain that the vendor is familiar with and obeys Massachusetts' collection laws.

Most municipalities that offer the service only receive payments from a small percentage of their taxpayers. However, as Nancy Holt, Treasurer/Collector in Marshfield, notes, the service “offers a significant avenue for taxpayers to pay at their convenience, at no cost to the municipality. We are slowly but surely seeing an increase in usage from a new generation of taxpayers.”

A separate form of “on-line bill payment” is available to the taxpayer who chooses to utilize the electronic bill payment service through their own bank. In this situation, taxpayers direct their bank, through its website, to pay a certain amount to a vendor, in this case, the municipality. The bank then mails out a check. This method can be misleading. The average consumer is often under the impression that their bank wires the money to the vendor, thus decreasing the “float” time between payment and receipt. This is not the case. Their bank simply writes and sends the vendor a paper check, which takes the same amount of time to get to the municipality. Additionally, collectors frequently have a problem when they receive payments through this method, because there is nothing on the check that states the purpose of the payment or identifies the account. The collector’s office then has to spend time researching in order to post the payment correctly, and sometimes returns the check if additional information is required. Therefore we suggest that municipalities facing this problem ask their taxpayers to indicate as payee: “Town of Anywhere, Real Estate, bill #” or “City of Anywhere, Sewer, account #,” in order to alleviate this particular concern.